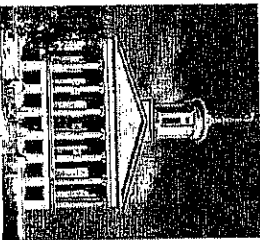


Fiscal Review Committee

Update on Funding of the Tennessee Consolidated Retirement System

August 24, 2005



Pension Plan Funding

Benefits Paid

Plus

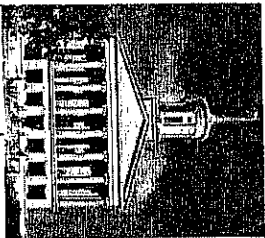
Expenses

Minus

Investment Income

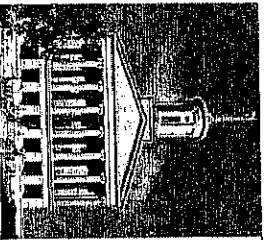
Equals

Plan Costs



TCRS Funding Process

- Experience Study
 - Performed every 4 years
 - Test demographic & economic assumptions against actual experience for last 4 years
 - Adjust assumptions as needed
- Actuarial Valuation
 - Performed every 2 years
 - Uses economic & demographic assumptions and actual results over last 2 years to establish retirement contribution rates



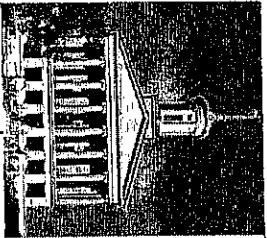
Experience Study

- Experience study looked at four-year period July 1, 2000 thru June 30, 2004
- Assumptions as recommended by actuary were adopted by Board of Trustees in June 2005

Estimated Effect on Employer Rate in 2006

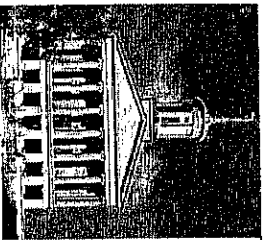
Demographic Assumptions	State	Teacher
Withdrawal / Turnover	.06%	(.49)%
Post-Retirement Mortality	1.05	(.71)
Pattern of Retirement	(1.04)	(.57)
Other Assumptions	.08	.05
TOTAL	.15	(1.72)

Economic Assumptions	State	Teacher
Investment Earnings (7.5%)	None	None
Employee Compensation	None	None
Cost of Living Escalation	None	None



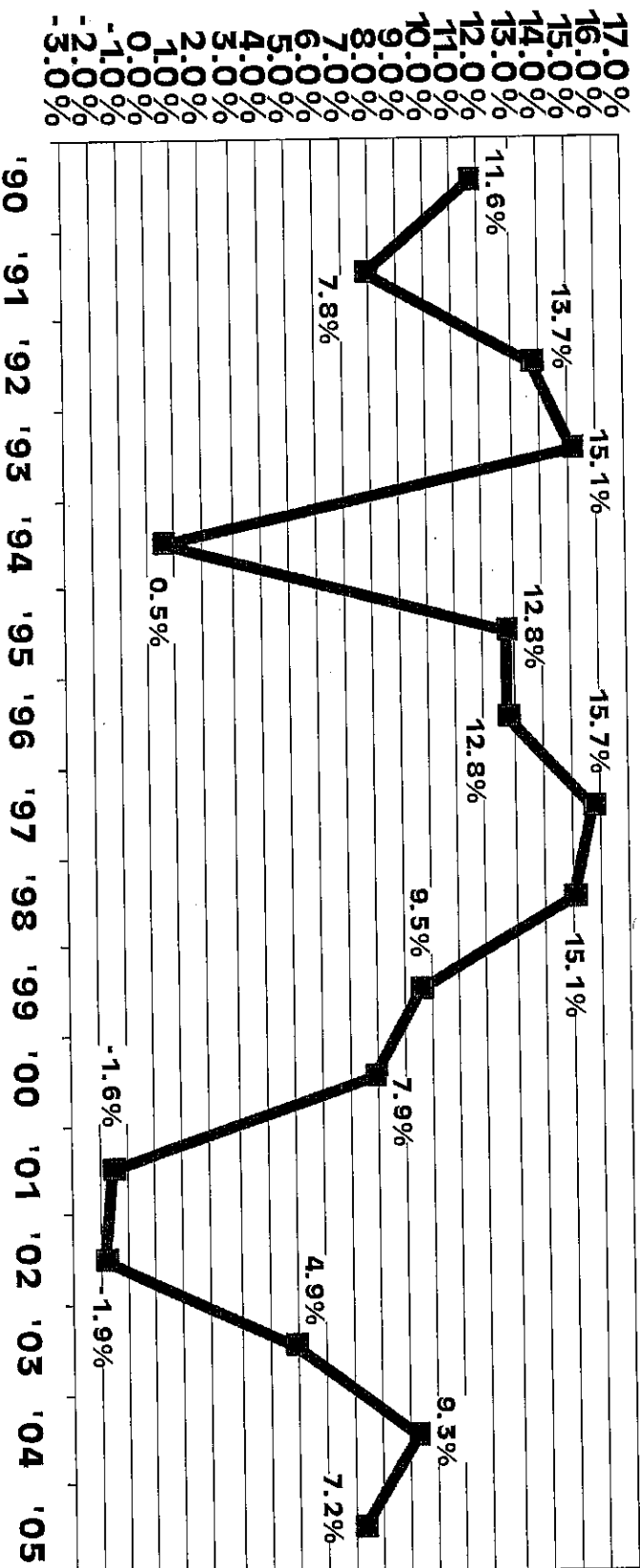
Actuarial Valuation

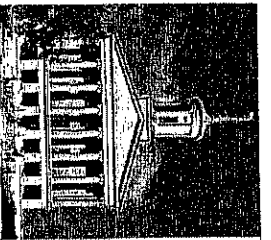
- Actuarial Evaluation currently in process
- Board of Trustees to consider new recommended contribution rates in December 2005
- New rates effective for two-year period beginning July 1, 2006



Investment Results

■ Investment performance remains solid with the 10-year average return exceeding 7½%



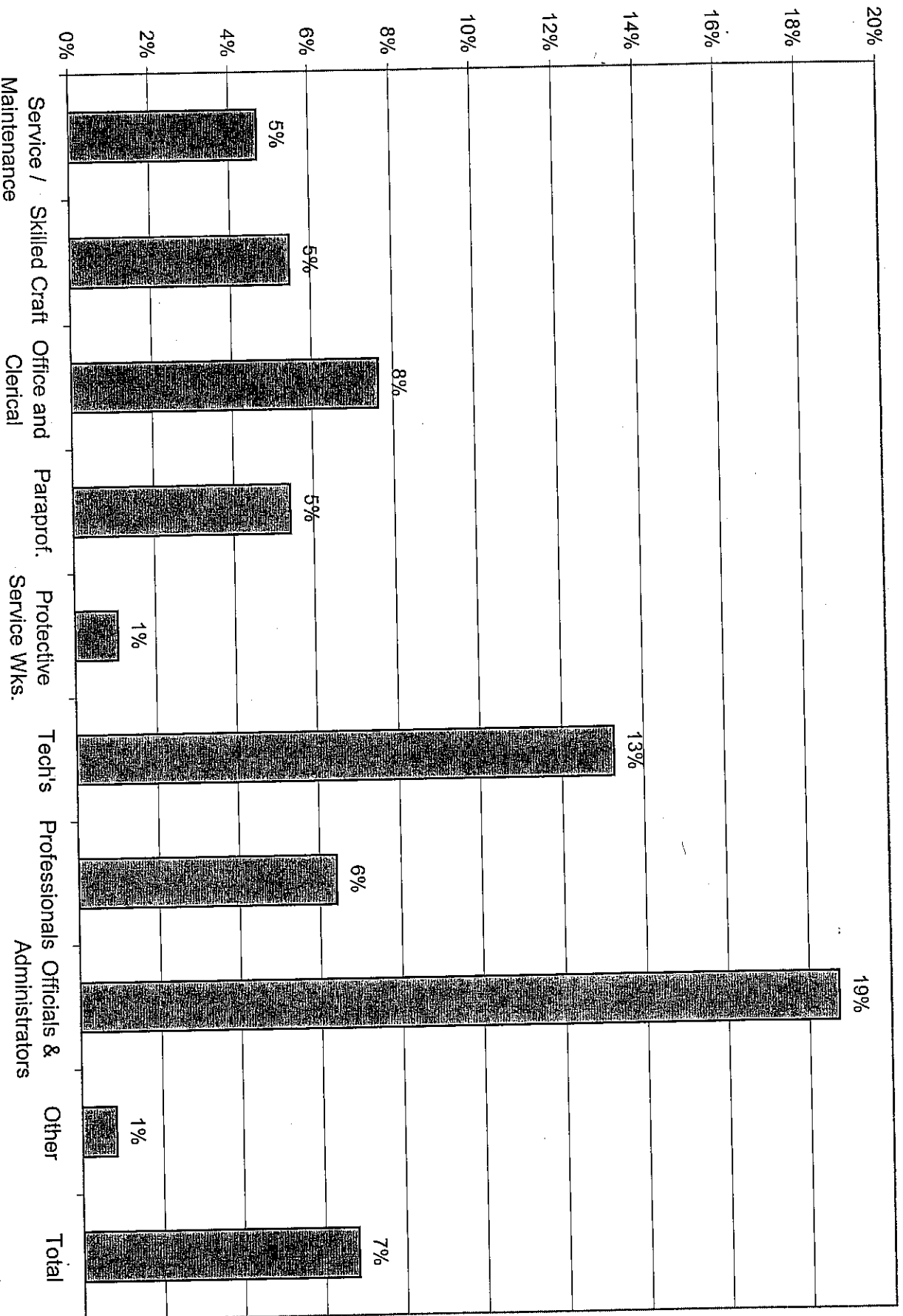


State Level Funding Ratios

State	Ratio
North Carolina	116%
Florida	104%
Georgia	98%
Tennessee	97%
Virginia	84%
South Carolina	83%
Alabama	81%
Arkansas	81%
Kentucky	77%
Mississippi	66%
Louisiana	61%
West Virginia	40%

Source: 2004 Wilshire Report on State Retirement Systems.

Percent of State Employees Eligible for Full Retirement Benefits as of October 2003



Percent of State Employees Eligible for Full or Partial Retirement Benefits as of October 2003

